STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
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February 24, 2978

No. 78/28

TO COUNTY ASSESSORS:

SUMMARY OF PROPOSED LEGISLATION NUMBER 6

In compliance with your Legislative Committee's proposal that you be informed of the various property tax bills and amendments being proposed in the State Legislature, we submit to you those measures introduced or amended recently that have reached our office.

We are including only those bills or constitutional amendments that we feel are of importance to you as an assessor. Bills concerning the functions of the tax collector, auditor, and other county or special district officials will usually be excluded.

Copies of bills and amendments introduced may be obtained by placing orders with the Legislative Bill Room (State Capitol, Room 1149, Sacramento, 95814).

ASSEMBLY BILLS

No. 7 - Amended February 13, 1978 (First Extraordinary Session)

An act to amend Sections 41814 and 84772 of, and to add Sections 41815 and 84773 to, the Education Code, to amend Section 16113 of, and to repeal Section 29100.5 of, the Government Code, and to amend Sections 219, 17063, 17687, 18161, 23151, 23184, 23186, 23400, 23401, 23501, 24378, and 24833 of, and to add Sections 17064.8, 17154.5, 18151, 18152, 18153, 18162, and 23401.1 to, and to repeal Sections 6354, 6359.4, 6395.5, 6383, 6395, 18152, and 18162.5 of, the Revenue and Taxation Code, relating to taxation, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

Under existing law, 50% of the assessed value of business inventories is exempt from property taxation. Procedures have been established for computing revenue losses caused by such exemption, and the state reimburses entities of local government in full for the amount of such losses.

This bill would increase such exemption to 100% of the assessed value of business inventories for the 1978-79 fiscal year and thereafter.

Under existing law, local agencies receive a subvention from the state for revenues lost by reason of the exemption of such property through a continuous appropriation of money from the General Fund to the Controller to make such subventions. Any increase in such exemption affects the continuing appropriation.

This bill would increase the property tax exemption from business inventories, would affect the subventions to local agencies and would thus affect the continuing appropriation for such purpose. This bill would also limit the amount of such state subventions.

ASSEMBLY BILLS (Contd.)

No. 7 - (Contd.)

Existing California Sales and Use Tax Law imposes a state sales or use tax on the sale or use of tangible personal property in the state, unless such sale or use is exempted from such tax.

Moreover, counties, cities, and certain transit districts are authorized to impose local sales and use taxes in conformity with the state's taxes. Exemptions from state sales and use taxes enacted by the Legislature are automatically incorporated into the local taxes.

This bill would eliminate the exemptions on gold and silver bullion, certain vending machine items, dry ice for shipping and packing, and certain cargo containers, presently exempted under the Sales and Use Tax Law, thus subjecting such items to sales and use tax.

Under existing law, "items of tax preference" are defined as excess investment interest, certain deductions for depreciation, depletion allowances, stock options, capital gains, and reserves for bad debts, as computed for purposes of the Personal Income Tax Law or the Bank and Corporation Tax Law. Under such laws, items of tax preference are not included for purposes of computing the normal taxes, but such items are subject under both laws to a special minimum tax. Personal income is taxed at graduated rates ranging from 0.5% to 5.5% of preference income. Bank and corporation preference income is taxed at 2.5% after a $30,000 exclusion.

This bill would increase the bank and corporation tax rate on preference income to ~~4.5~~ 5.125% and eliminate the $30,000 exclusion. The bill would also add as an "item of tax preference" under both the personal and bank and corporation tax laws excessive intangible drilling development costs of oil and gas wells.

Under existing law, a taxpayer is allowed a deduction for the depletion of mines in computing the regular taxes. The depletion allowance may be based on either the cost of the property or a percentage of the gross income of the property.

The depletion allowance is a variable percent of the gross income of the mines, depending upon the natural resource mined, excluding from such gross income an amount equal to certain rents and royalties.

This bill would limit the total accumulated depletion allowance from mines to the adjusted cost of the taxpayer's interest in the property which is subject to recovery for depletion, except for the first $1,500,000 of depletion allowance per year.

Existing tax laws permit expenditures for research and experimental expenditures to be totally deducted in the year in which they were paid or incurred.

This bill would require that such expenditures be capitalized and the deduction amortized over a period of years.

Under the California Personal Income Tax Law, specified percentages of the gains from the disposition of capital assets, as defined, are included in gross income, for purposes of computing taxable income. Such percentages are determined according to the length of time such capital asset was owned by the taxpayer prior to such disposition.

ASSEMBLY BILLS (Contd.)

No. 7 - (Contd.)

This bill would revise the method of computing the percentage of gain or loss from the disposition of capital gains which shall be included in income, and would authorize certain taxpayers to elect to exclude gain from the disposition of their residence from income, if the taxpayer owned such residence for 5 years or more at the time of such disposition.

The provisions of the bill relating to the business inventory and sales and use tax exemptions would only become operative if the proposed constitutional amendment known as the "Jarvis-Gann Initiative" is rejected by the voters.

The bill would take effect immediately as an urgency statute, but would specify various operative dates for its provisions.

No. 1531 - Amended February 14, 1978

An act to amend Sections 34080, 54797.2, 54900, 54901, 54902.5, 56009, 56438, 56453, 56454, 56456, and 56457 of, to add Section 54902.2 to, and to repeal Sections 34081 and 56452 of, the Government Code, relating to local agencies, and declaring the urgency thereof, to take effect immediately.

(1) Existing law contains various provisions which have been superseded by more recent enactments relating to the documents required to be filed regarding incorporations and changes in the boundaries of cities.

This bill would repeal such existing provisions.

(2) Under existing law, there are occasions when a new district may be formed without election or by a resolution confirming an order for the formation of a new district after confirmation by the voters.

This bill would require the executive officer of the local agency formation commission to file a certificate of completion, as specified, with the county recorder after determining that such district formation is in compliance with its resolution making such determinations.

(3) Under existing law, when there is a change of boundaries affecting the tax assessment boundaries of a city or district, as specified, the city or district is required to prepare a statement of such change and forward it to the appropriate tax or assessment levying authority.

This bill would modify the contents of such statement and would provide that filings by the executive officer of the local agency formation commission, as specified, would satisfy the above requirement.

(4) Under existing law, the organization or reorganization of a district is complete from the date of filing of the certificate of completion with the Secretary of State.

This bill would designate the completion date of such organization or reorganization as the time of the execution of the certificate of completion.

This bill would take effect immediately as an urgency statute.

No. 2085 - Amended February 16, 1978

An act to amend Section 2610.5 of the Revenue and Taxation Code, relating to taxation.

Existing law provides that failure to receive a tax bill from the tax collector of each county does not relieve the fee owner from the liability to pay taxes owned or for penalties.

ASSEMBLY BILLS (Contd.)

No. 2085 - (Contd.)

This bill would provide that no penalty shall be imposed if the tax collector does not mail the tax bill to the ~~correct~~ address provided on the tax assessor's roll.

No. 2148 - Amended February 15, 1978

An act to amend Sections 20542 and 20543 of, and to add ~~Section~~ Sections 20542.5 and 20545 to, the Revenue and Taxation Code, relating to property tax assistance.

Under existing law, the state makes property tax assistance payments to any qualified homeowner or renter, 62 years of age or older. ~~With respect to persons owning their homes, such~~ Such assistance is a specified percentage of the property taxes paid on the first $8,500 of assessed value of their homes, which is determined according to graduated household income brackets, and in the case of persons renting their homes, statutory property tax equivalent deemed to have been paid on such property.

This bill would provide for such payments to be made on a specified percentage of the property taxes on the first $25,000 of assessed value of their homes and would require the Franchise Tax Board to annually recompute such assessed value limit according to growth in assessed valuation and to recompute the household income brackets and statutory property tax equivalent used in the computation of the percentage of taxes on which such assistance is based, according to a specified inflation adjustment factor.

SENATE BILLS

No. 1 - (First Extraordinary Session)

An act to amend Section 27421 of the Government Code, to amend Sections 253.5, 2264, 2265, 2305, 2306, 2307, 2308, 2309, 2325, 2325.1, 11401, 11403, 17053.5, ~~17204,~~ 17063.1, 17505, 20505, 20542, 20543, and 20544 of, to add Sections 37, 253.6, 401.6, ~~405.7,~~ 1603.5, 2187.5, 2231.1, 2261, 2263, ~~2268, 6379, 10771,~~ 17062.3, 17062.4, 17063.2, 18162.7, 20505.1 and 20505.2 to, to add Article 10 (commencing with Section 2350) to Chapter 3 of Part 4 of Division 1 of, to add Division 3 (commencing with Section 50000) to, and to repeal Sections 2261, 2262, 2263, 2263.1, 2263.2, 2266, and 2267 of, the Revenue and Taxation Code, and to amend Sections 11008.4, 12400, and 14150 of the Welfare and Institutions Code, relating to taxation.

Under existing law, all taxable property on the secured roll is subject to taxation at the same rate, while property on the unsecured roll is subject to taxation at the rate applied to the secured roll for the prior fiscal year, and the first $7,000 of the full value of an owner-occupied dwelling is exempted from taxation.

This bill would provide for the taxation of owner-occupied dwellings at a different rate than other taxable property.

Existing law limits the maximum property tax rate which may be levied by local agencies.

This bill would revise the method of computing maximum property tax rates so that local agencies shall receive a specified amount of tax revenues,

SENATE BILLS (Contd.)

No. 1 - (Contd.)
reduced by certain reduced costs of specified social service programs.

~~Existing California Sales and Use Tax Law imposes a state sales or use tax on the sale or use of tangible personal property in the state, unless such sale or use is exempted from such tax. There is no provision exempting from such tax the sale of or use of, trailer coaches which are used as the principal place of residence by the purchaser of such trailer coach.~~

~~Moreover, counties, cities, and the San Francisco Bay Area Rapid Transit District are authorized to impose local sales and use taxes in conformity with the state's taxes. Exemptions from state sales and use taxes enacted by the Legislature are automatically incorporated into the local taxes.~~

~~This bill would exempt from state and local sales and use taxes are gross receipts from or the storage, use, or other consumption in this state of trailer coaches which are used as the principal place of residence by the purchaser of such trailer coach and which qualify for the homeowner's property tax exemption and would make the purchaser liable for the payment of tax measured by the sales price, if, after certifying in writing to a retailer that such trailer coach would be used in an exempt manner, the purchaser uses such trailer coach for a nonexempt purpose.~~

Existing law authorizes a $37 credit against taxes due under the Personal Income Tax Law for qualified renters. If the amount of the credit exceeds income tax liability, the excess is paid to the claimant.

This bill would change the amount of the credit or payment to $87 and would revise the definition of a qualified renter, commencing with taxable years beginning on and after January 1, 1978.

Under existing law, payments of state funds are made to homeowners and renters 62 years of age or older on the basis of a percentage (determined by total household income) of property taxes paid by homeowners or the statutory property tax equivalent presumed to be paid by renters.

This bill would extend such benefits to totally disabled persons, and would revise the schedule of benefits payable to homeowners and renters.

Existing state law does not impose a tax on transfers of real property but authorizes counties and cities to impose such taxes.

This bill would, with specified exceptions, impose a preference tax of 5%, commencing January 1, 1978, the income derived from the transfer of owner-occupied dwellings, and certain income from the sale of non-owner-occupied dwellings as defined by the bill.

Existing law does not limit the amount of revenues collected by the State of California.

This bill would set a state revenue limit which is increased annually by the percentage increase in California Personal Income multiplied by a revenue elasticity factor.

Under existing law, counties are required to pay a specified share of the costs of the Supplementary Program for the aged, blind and disabled and specified Medi-Cal programs.

This bill would alter counties' shares of such programs according to a formula.

SENATE BILLS (Contd.)

No. 1 - (Contd.)

The bill would also specify that there is no appropriation made by this bill.

This bill would become operative only if ~~Senate Constitutional Amendment No. 6 of the 1977/78 Regular Session is approved by the voters and the proposed constitutional amendment known as the "Jarvis/Gann Initiative"~~ Proposition 8 on the ballot for the June 6, 1978, election is approved by the voters and Proposition 13 on such ballot is rejected by the voters.

No. 1 - Amended February 16, 1978

An act to amend Section 27421 of the Government Code, to amend Sections 253.5, 2264, 2265, 2305, 2306, 2307, 2308, 2309, 2325, 2325.1, 11401, 11403, 17053.5, ~~17204,~~ 17063.1, 17505, 20505, 20542, 20543, and 20544 of, to add Sections 37, 253.6, 401.6, ~~405.7,~~ 1603.5, 2187.5, 2231.1, 2261, 2263, ~~2268, 6379, 10771,~~ 17062.3, 17062.4, 17063.2, 18162.7, 20505.1, and 20505.2 to, to add Article 10 (commencing with Section 2350) to Chapter 3 of Part 4 of Division 1 of, to add Division 3 (commencing with Section 50000) to, and to repeal Sections 2261, 2262, 2263, 2263.1, 2263.2, 2266, and 2267 of, the Revenue and Taxation Code, and to amend Sections ~~12400~~ 11008.4, 12400, and 14150 of the Welfare and Institutions Code, relating to taxation, ~~and~~ making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

Under existing law, all taxable property on the secured roll is subject to taxation at the same rate, while property on the unsecured roll is subject to taxation at the rate applied to the secured roll for the prior fiscal year, and the first $7,000 of the full value of an owner-occupied dwelling is exempted from taxation.

This bill would provide for the taxation of owner-occupied dwellings at a different rate than other taxable property.

Existing law limits the maximum property tax rate which may be levied by local agencies.

This bill would revise the method of computing maximum property tax rates so that local agencies shall receive a specified amount of tax revenues, reduced by certain reduced costs of specified social service programs.

Existing law authorizes a $37 credit against taxes due under the Personal Income Tax Law for qualified renters. If the amount of the credit exceeds income tax liability, the excess is paid to the claimant.

This bill would change the amount of the credit or payment to ~~$87,~~ $75, commencing with taxable years beginning on and after January 1, 1978.

Under existing law, payments of state funds are made to homeowners and renters 62 years of age or older on the basis of a percentage (determined by total household income) of property taxes paid by homeowners or the statutory property tax equivalent presumed to be paid by renters.

This bill would extend such benefits to totally disabled persons, and would revise the schedule of benefits payable to homeowners and renters.

Existing state law does not impose a tax on transfers of real property but authorizes counties and cities to impose such taxes.

SENATE BILLS (Contd.)

No. 1 - (Contd.)

This bill would, with specified exceptions, impose a preference tax of 5%, commencing January 1, 1978, on the income derived from the transfer of owner-occupied dwellings, and certain income from the sale of non-owner-occupied dwellings, as defined by the bill.

Existing law does not limit the amount of revenues collected by the State of California.

This bill would set a state revenue limit which is increased annually by the percentage increase in California Personal Income multiplied by a revenue elasticity factor.

Under existing law, counties are required to pay a specified share of the costs of the Supplementary Program for the aged, blind and disabled and specified Medi-Cal programs.

This bill would alter counties' shares of such programs according to a formula.

The bill would also appropriate an unspecified amount to the Controller for allocation and disbursement to local agencies for costs incurred by them pursuant to this act, and would appropriate the sum of $5,000,000 to the Controller for payments to local agencies for claims for additional reimbursement for state-mandated costs approved by the State Board of Control.

This bill would become operative only if ~~Senate Constitutional Amendment No. 6 of the 1977/78 Regular Session is approved by the voters and the proposed constitutional amendment known as the "Jarvis/Gann Initiative"~~ Proposition 8 on the ballot for the June 6, 1978, election is approved by the voters and Proposition 13 on such ballot is rejected by the voters.

The bill would take effect immediately as an urgency statute, but would specify various operative dates for its provisions.

No. 4 - Amended February 15, 1978 (First Extraordinary Session)

An act to amend Section 16113 of, to add Section 29100.5 to, and to repeal Section 29100.5 of, the Government Code, to amend ~~Section 2229~~ Sections 2229, 23151, 23186, and 23501 of, and to amend, add, and repeal Section 219 of, the Revenue and Taxation Code, relating to taxation, and making an appropriation therefor.

Existing law exempts from property taxation 50% of the assessed value of business inventories.

This bill would exempt business inventories from taxation, in specified increments, until 100% of the assessed value of business inventories is exempted from taxation for the 1983-1984 fiscal year and fiscal years thereafter.

Under existing law, local agencies are reimbursed by the state for property tax losses due to the business inventory exemption. An amount sufficient to make such reimbursements is continuously appropriated from the General Fund to the Controller for such purpose. The Controller is mandated to reimburse local agencies pursuant to claims for such revenue losses which are submitted by each county auditor.

This bill would limit the amount of tax revenue losses each county may claim to an amount not to exceed twice the amount of tax revenue losses

SENATE BILLS (Contd.)

No. 4 - (Contd.)
claimed for the 1977-1978 fiscal year, adjusted by an inventory adjustment factor, as defined.

Under existing Bank and Corporation Tax Law, taxes are imposed according to, or measured by, net income, at the general rate of 9%, and at a rate not to exceed 13% with regard to banks, and an additional tax is imposed on amounts of items of tax preference.

This bill would increase the general tax rate and the maximum bank tax rate for calendar years or fiscal years ending after December 31, 1978.

No. 5 - Amended February 16, 1978 (First Extraordinary Session)

An act to amend Section 27421 of the Government Code, and to amend Sections 2264, 2265, 2305, 2306, 2307, 2308, 2309, 2325, 2325.1, 11401, 11403, 17053.5, 20505, 20544, and 38202 of, to add Sections 37, 253.6, 401.6, 1603.5, 2187.5, 2261, 2263, 2610.6, ~~and 2615.6~~ 2615.6, 20505.1, and 20505.2 to, to add Part 10.6 (commencing with Section 21000) to Division 2 of, to add Division 3 (commencing with Section 50000) to, and to repeal Sections 2261, 2262, 2263, 2263.1, 2263.2, 2266, and 2267 of, the Revenue and Taxation Code, relating to taxation.

Existing law limits the maximum property tax rate which may be levied by local agencies.

This bill would revise the method of computing maximum property tax rates so that local agencies shall receive a specified amount of tax revenues.

The existing Homeowners and Renters Property Tax Assistance Law provides a system whereby persons 62 years of age or older are paid state funds according to a schedule based on their household incomes paid, or deemed to be paid on their homes. It also provides a program for the postponement of property taxes by homeowners 62 years of age and older based on a household imcome of $20,000 or less, as adjusted by an inflation adjustment factor.

This bill would extend such benefits, excluding postponement of property taxes, to totally disabled persons, and would revise the schedule of benefits payable to renters.

This bill would also provide for property tax assistance payments to any qualified homeowner regardless of age based on 65% of the differential between the property taxes paid for the 1974-1975 fiscal year and the fiscal year for which assistance is claimed. Such assistance would be limited to ~~$1,000.~~ $1,500. The program would apply to claims for assistance for the 1978-1979 fiscal year and fiscal years thereafter.

Existing personal income tax law grants to qualified renters a refundable credit of $37 against income tax liability.

This bill would increase the amount of such credit to ~~$74~~ $87 for taxable years beginning after December 31, 1977.

Existing law does not limit the amount of revenues collected by the State of California.

This bill would set a state revenue limit which is increased annually by the percentage increase in California personal income and would provide for any excess revenues to be allocated for specified purposes.

SENATE BILLS (Contd.)

No. 5 - (Contd.)
The bill would specify that it does not mandate any costs to local agencies or school districts as a result of its provisions.

The local revenue limit provisions would only become operative if Senate Constitutional Amendment No. 6 of the 1977-78 Regular Session is approved by the voters.

This bill would be repealed on June 7, 1978, unless the proposed constitutional amendment know as the "Jarvis-Gann Initiative" is rejected by the voters.

No. 11 - Amended February 14, 1978 (First Extraordinary Session)
An act to add Section 27421 to, and to repeal Section 27421 of, the Government Code, and to amend Section ~~248 and 2274~~ 218, 2271, and 17053.5 of, to add Sections 2266 and 2268 to, and to repeal Section 2266 of, the Revenue and Taxation Code, relating to property taxation, and making an appropriation therefor.

1. Under existing law, county assessors assessing property for other local taxing jurisdictions, are required, upon request, except for school districts, to furnish not later than May 15th of each year an estimate of the assessed value of property within any such jurisdiction for the succeeding fiscal year.

This bill would prohibit county assessors from furnishing such estimates prior to the delivery of the local roll to the auditors, and expresses the legislative intent that each local taxing jurisdiction adopt its budget without regard to the estimated change in the size of the jurisdiction's total assessed valuation.

2. Under existing law, the homeowners' property tax exemption is in the amount of $1,750 of the assessed value of qualified dwellings. State funds are continuously appropriated to compensate local government for property tax revenues lost by reason of such exemption.

This bill would increase such exemption, commencing with the 1978-1979 fiscal year, to ~~$14,000~~ $12,000 of the full value (~~$3,500~~ $3,000 of assessed value) of qualified dwellings, as adjusted by an appreciation factor and a residence factor, as defined. This would also have the effect of increasing the existing continuous appropriation.

3. Under existing law, procedures are established to control local agencies when computing their maximum tax rates.

This bill would revise such procedures.

4. Under existing Personal Income Tax Law, a credit in the amount of $37 is granted to qualified renters, which may be applied against income tax liability. In the event that the amount of such credit exceeds a qualified renter's income tax liability, the excess is paid to him.

This bill would increase such credit to $63 for taxable years beginning after December 31, 1977, and would provide for the adjustment of such credit for taxable years beginning after December 31, 1978, by the statewide average homeowners' property tax exemption factor, as defined.

~~4,~~5. This bill would also provide that, if the required percentage change of payment by a county to the state for the state supplementary program

SENATE BILLS (Contd.)

No. 11 - (Contd.)
for the aged, blind and disabled and Medi-Cal exceed the percentage change of county property tax revenue, the county shall pay to the state only that amount paid in the prior fiscal year adjusted by the percentage change of property tax revenue.

No. 321 - Amended February 9, 1978

An act to amend Section 15606 of the Government Code, and to amend Section 1611.5 of the Revenue and Taxation Code, relating to taxation.

Existing law requires the State Board of Equalization to prescribe rules and regulations to govern local boards of equalization when equalizing the assessment and taxation of property.

This bill would specify that the State Board of Equalization shall prescribe uniform procedures for the consideration and adoption of written findings of fact by local boards of equalization.

Existing law permits the county, under specified circumstances, to impose a reasonable fee to prepare findings and conclusions by the county board of equalization at the conclusion of a hearing, such fee not to exceed $10 per parcel.

This bill would provide that the applicable fee shall not exceed $10 per parcel or a total of $50 for findings on contiquous parcels or assessments on the ~~unsecured~~ roll involving ~~similar property and~~ the same issues and owners.

No. 1274 - Amended February 15, 1978

An act to add Section 2287.5 to the Revenue and Taxation Code, relating to taxation, and declaring the urgency thereof, to take effect immediately.

Existing law provides a procedure by which the voters of a local agency may establish a maximum property tax rate for such agency by a tax rate limit election.

This bill would establish a procedure to permit a local agency which is formed without an election to obtain consents from all of the qualified voters of the local agency to approve a maximum tax rate.

The bill would take effect immediately as an urgency statute.

SENATE CONSTITUTIONAL AMENDMENT

No. 1 - Amended February 14, 1978 (First Extraordinary Session)

A resolution to propose to the people of the State of California an amendment to the Constitution of the state, by adding Article XIIIA thereto, relating to taxation.

The State Constitution does not presently limit the rate of property taxes that may be levied by local agencies.

This bill would limit the rate of property taxes local agencies in California may impose ~~on owner/occupied dwellings and would establish a separate maximum rate for property taxes~~ on ~~other types~~ of taxable property.

Sincerely,

Jack F. Eisenlauer

Jack F. Eisenlauer, Chief
Assessment Standards Division

JFE:ebv